No. 8-346 A011
Date DEC 12 1978
Fee $50.00

ICC Washington, D. C.

December 11, 1978

RECORDATION NO. 9890 Filed 1425

DEC 12 1978 - 11 50 AM

INTERSTATE COMMERCE COMMISSION

Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Sir:

Enclosed for recordation under the provisions of 49 U.S.C. §11303 and the regulations promulgated thereunder are the original and two certified copies of a Security Agreement dated December 11, 1978.

A general description of the railroad equipment covered by the enclosed document is as follows:

One hundred Seventy-five (175) 50'-6", 70-ton, single sheathed boxcars with outside posts, with 10' sliding doors and rigid underframe, within Plate "C", bearing reporting marks and numbers NSL 155250 through NSL 155369 inclusive (plus 55 additional cars to be designated) with AAR Mechanical Designation XM.

The names and addresses of the parties to the enclosed document are:

DEBTOR: Railroad Boxcar Associates
c/o Kaye, Scholer, Fierman, Hays & Handler
425 Park Avenue
New York, NY 10022

SECURED PARTY: U. S. Steel Credit Corporation
Room 5688
600 Grant Street
Pittsburgh, PA 15230

Please return the original and one copy of each of the enclosed documents to Charles T. Kappler, Esq., Alvord & Alvord, 200 World Center Building, 918 Sixteenth Street, N.W., Washington, DC 20006, with the recording certification data stamped thereon.

I.C.C. FEE OPERATION BR.
DEC 12 11 49 AM '78
RECEIVED

Very truly yours,

RAILROAD BOXCAR ASSOCIATES

By _____
General Partner

Charles T. Kappler

Interstate Commerce Commission

Washington, D.C. 20423

12/12/78

OFFICE OF THE SECRETARY

Charles T. Kappler, Esq.
Alvord & Alvord
200 World Center Building
918 16th St., N.W.
Washington, D.C. 20006

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 12/12/78 at 11:50am, and assigned recordation number(s) 9893

Sincerely Yours,

H.G. Homme, Jr.,
Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 9898 Filed 1425

DEC 12 1978 -11 50 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of December 11, 1978

BETWEEN

RAILROAD BOXCAR ASSOCIATES,

DEBTOR

AND

U. S. STEEL CREDIT CORPORATION,

SECURED PARTY

TABLE OF CONTENTS

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of December 11, 1978 (Security Agreement) is between RAILROAD BOXCAR ASSOCIATES, a New York partnership (the Debtor), and U. S. STEEL CREDIT CORPORATION, a Delaware corporation (the Secured Party or Note Purchaser).

RECITALS:

A. The Debtor and the Secured Party have entered into a Note Purchase Agreement dated as of the date hereof (the Note Purchase Agreement) providing for the commitment of the Note Purchaser to purchase on not more than seven (7) separate dates, each not later than December 31, 1979, the Secured Notes (the Notes) of the Debtor not exceeding the maximum aggregate principal amount of $5,092,850. The Notes are to be dated the date of issue and to be payable in three (3) installments of interest only, and forty-four (44) installments of both principal and interest payable in accordance with the amortization schedule set forth in Schedule I hereto with the first installment to be paid April 20, 1979 and with the final installment payable not later than October 20, 1990, and to be otherwise substantially in the form attached hereto as Exhibit A.

B. The Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Note Purchase Agreement are hereinafter sometimes referred to as "indebtedness hereby secured".

C. All of the requirements of law relating to the transaction contemplated hereby have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

Section 1. GRANT OF SECURITY

The Debtor, intending to be legally bound hereby, in consideration of the premises and of the transaction contemplated by the Note Purchase Agreement and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to

their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Note Purchase Agreement contained, does hereby convey, warrant, mortgage, pledge, assign and grant to the Secured Party, its successors and assigns, a security interest in all and singular of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 1.1, 1.2 and 1.3 hereof, and all proceeds thereof, subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof (all of which properties, rights, interests and privileges hereby mortgaged, assigned and pledged, or intended so to be, are hereinafter collectively referred to as the Collateral).

1.1 Equipment Collateral. Collateral includes the railroad equipment described in Schedule II attached hereto and made a part hereof and in any amendments or additions to such schedule hereafter attached hereto and filed herewith (collectively, the Equipment, and individually, an Item of Equipment) constituting equipment delivered under that certain Management Agreement dated as of the date hereof (the Management Agreement) between the Debtor and National Railway Utilization Corporation, a South Carolina corporation (NRUC), together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, except such thereof as remain the property of NRUC under the Management Agreement, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to, any and all of said Equipment, except such thereof as remain the property of NRUC under the Management Agreement, together with all the rents, issues, income, profits and avails therefrom.

1.2 Management Agreement Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Management Agreement, together with all rights, powers, privileges, options and other benefits of the Debtor under the said Agreement, including, without limitation, but subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof:

(1) all revenues, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Debtor under said Agreement or pursuant thereto, together with the immediate and continuing right to receive and collect same;

(2) the right to make all waivers and agreements and to give and receive duplicate copies of all notices and other instruments or communications; and

(3) the right to take such action upon the occurrence of an Event of Default under said Agreement or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under said Agreement, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Management Agreement or by law, and to do any and all other things whatsoever which the Debtor or its successors and assigns is or may be entitled to do under the Management Agreement;

it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive said revenues, insurance proceeds, condemnation awards and other payments for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the indebtedness hereby secured has been fully paid and discharged.

1.3 Other Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Commitment Agreement dated as of the date hereof (the Commitment Agreement), between the Debtor and NRUC, the Optional Boxcar Maintenance Agreement dated as of the date hereof (the Maintenance Agreement), between the Debtor and NRUC, and any and all other contracts and agreements relating to the Equipment or any rights or interests therein (other than the Note Purchase Agreement) to which the Debtor is now or hereafter may be a party, together with all rights, powers, privileges, options and other benefits of the Debtor under each and every other such contract and agreement, it being the intent and purpose hereof that subject always to the exceptions, reservations and limitations contained in Section 1.6 hereof, the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective

immediately and operative immediately and shall continue in full force and effect until the indebtedness hereby secured has been fully paid and discharged.

1.4 Limitations to Security Interest. The security interest granted by this Section 1 is subject to the lien of current taxes and assessments not in default (but only if such taxes are entitled to priority as a matter of law), or, if delinquent, the validity of which is being contested in good faith and by appropriate legal or administrative proceedings and the nonpayment thereof does not, in the reasonable opinion of the Secured Party, affect the properties, rights, interests and privileges of the Secured Party in or to the Equipment or otherwise under this Security Agreement.

1.5 Duration of Security Interest. The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

1.6 Excepted Rights in Collateral. There are expressly excepted and reserved from the security interest and operation of this Security Agreement the following described properties, rights, interests and privileges (hereinafter sometimes referred to as the Excepted Rights in Collateral) and nothing herein or in any other agreement contained shall constitute an assignment of the Excepted Rights in Collateral to the Secured Party:

(a) all payments of any indemnity under Section 11 of the Management Agreement which by the terms of said Agreement are payable to the Debtor for its own account;

(b) all rights of the Debtor respectively, under the Management Agreement to demand, collect, sue for or otherwise obtain all amounts from NRUC due the Debtor on

account of any such indemnities or payments due pursuant to said Section 11 of the Management Agreement; provided, however, that the rights excepted and reserved by this paragraph (b) shall not be deemed to include the exercise of any remedies provided for in Section 13 of the Management Agreement except those contained in Section 13(a)(ii) and (iii) thereof;

(c) any insurance proceeds payable under general public liability policies maintained by NRUC pursuant to Section 4(e) of the Management Agreement which by the terms of such policies or the terms of the Management Agreement are payable directly to the Debtor for its own account; and

(d) all rights of the Debtor to purchase the Equipment under the Commitment Agreement:

provided, nevertheless, that the Excepted Rights in Collateral shall at no time include any of the payments of indemnity, other amounts or insurance proceeds described in Sections 1.6(a), (b) or (c) hereof which shall arise after exercise by the Secured Party of any of its rights, privileges or remedies described in Section 5.2(e) of this Agreement.

Section 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1 Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Note Purchase Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns to the same extent as through each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Note Purchase Agreement were fully set out in an amendment or supplement to this Security Agreement. The Debtor undertakes to perform only such duties as are expressly and specifically set forth herein and in the other Fundamental Agreements (as defined

in the Note Purchase Agreement) and no implied covenants or obligations are to be construed as part of this Security Agreement or any other of the Fundamental Agreements against the Debtor.

2.2 Warranty of Title. The Debtor has the full ownership of, and the complete right, power and authority to grant a first security interest in the Collateral to the Secured Party for the uses and purposes herein set forth, as contemplated hereby; and the Debtor will warrant and defend the title to the Collateral against all claims and demands of all persons whatsoever except persons claiming by, through or under the Secured Party. The Debtor agrees to pay or discharge any and all claims, liens, charges or security interests claimed by any person (other than by, through or under the Secured Party), equal or superior to the Secured Party's security interest in the Collateral, which, if unpaid, might become a claim, lien, charge or security interest on or with respect to the Collateral, but the Debtor shall not be required to discharge such claim, lien, charge or security interest so long as the validity thereof shall be contested in good faith and by appropriate legal or administrative proceedings in any reasonable manner and the nonpayment thereof does not, in the opinion of the Secured Party, adversely affect the security interest of the Secured Party in or to the Collateral or any portion thereof.

2.3 Further Assurances. The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Management Agreement, the Debtor covenants and agrees that it will cause NRUC to be notified of such assignment pursuant to Section 16 of the Management Agreement and direct NRUC, upon written notice by the Secured Party, to make all payments of such revenues and other sums due and to become due under the Management Agreement, other than the Excepted Rights in Collateral, as the Secured Party may direct.

2.4 After-acquired Property. Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without

any further conveyance, assignment or act on the part of the Debtor or the Secured Party, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.4 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.3 hereof.

2.5 Recordation and Filing. The Debtor will cause this Security Agreement and any supplements hereto, the Management Agreement and any supplements thereto and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be requested by the Secured Party in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplemental security agreement an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for recording so as to make effective of record the security interest intended to be created hereby.

2.6 Modification of the Management Agreement.

The Debtor will not:

(a) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, the Management Agreement or the Maintenance Agreement or by affirmative act consent to the creation or existence of any security interest or other lien to secure the payment of indebtedness upon the rights created by the Management Agreement or any part thereof; or

(b) receive or collect or permit the receipt or collection of any payment under the Management Agreement prior to the date for payment thereof provided for by the Management Agreement or assign, transfer or hypothecate (other than to the Secured Party hereunder) any payment then due or to accrue in the future under the Management Agreement in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment; or

(d) fail to enter into a new management agreement in form and substance reasonably satisfactory to the Secured Party upon the expiration or termination of the Management Agreement, until payment in full of the indebtedness hereby secured.

2.7 Power of Attorney in Respect of the Management Agreement. Upon the occurrence of an Event of Default hereunder and upon the occurrence of any event which with the lapse of time or giving of notice, or both, would constitute an Event of Default hereunder, the Debtor does hereby irrevocably constitute and appoint the Secured Party its true and lawful attorney with full power of substitution for it and in its name, place and stead to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all revenues, income and other sums which are assigned under Sections 1.1, 1.2 and 1.3 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such revenues, income and other sums and the security intended to be afforded hereby.

Section 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.1 Possession of Collateral. While the Debtor is not in default hereunder it shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly understood that

the management of the Equipment by NRUC under and subject to the Management Agreement shall not constitute a violation of this Section 3.1.

3.2 Release of Property. So long as no default referred to in Section 12 of the Management Agreement or under the Maintenance Agreement has occurred and is continuing to the knowledge of the Secured Party, the Secured Party shall execute a release in respect of any Item of Equipment sold, lost or destroyed as referred to in Section 14 of the Management Agreement upon receipt from NRUC of written notice designating the Item of Equipment in respect of which the Management Agreement will terminate and payment to the Secured Party of the Loan Value (as defined in Section 4) with respect thereto.

3.3 Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 4. APPLICATION OF ASSIGNED REVENUES AND CERTAIN OTHER MONEYS RECEIVED BY THE SECURED PARTY.

4.1 Application of Assigned Revenues. So long as no Event of Default (as defined in Section 5.1 hereof) shall have occurred and be continuing, the amounts from time to time received by the Secured Party which constitute payment of operating revenues under the Management Agreement shall be applied: first, to the payment of the installments of interest, or of principal and interest (in each case first to interest and then to principal), on the installments of the Notes which have matured or will mature on or before the due date of the next operating revenues payment which is to be received by the Secured Party (including, without limitation, the final payment of interest on the Notes at the Accrual Rate as defined therein); second, the balance, if any, shall be paid to or upon the order of the Debtor.

4.2 Application of Casualty Payments. So long as to the knowledge of the Secured Party, no Event of Default hereunder shall have occurred and be continuing and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such an Event of Default, the amounts from time to time received by the Secured Party which constitute payment for a Casualty Occurrence (defined as the loss, theft or destruction or, in the opinion of NRUC or the Secured Party, irreparable damage to any Item of Equipment or the requisitioning or taking thereof by any governmental authority under the power of eminent domain or otherwise, other than such requisitioning or taking for a stated period which does not exceed the then remaining term of the Management Agreement) for any Item of Equipment shall be paid and applied as follows:

(a) First, an amount equal to the accrued and unpaid interest (computed at the Accrual Rate as defined in the Notes) on that portion of the Notes to be prepaid pursuant to the following subparagraph (b) shall be applied on the Notes;

(b) Second, an amount equal to the Loan Value (as hereinafter defined) of such Item of Equipment for which settlement is then being made shall be applied to the prepayment of the principal of the Notes so that each of the remaining installments of principal of each Note shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment;

(c) Third, the balance, if any, of such amounts held by the Secured Party after making the applications provided for by the preceding subparagraphs (a) and (b) shall be released promptly to or upon the order of the Debtor. As used herein, the Loan Value, in respect of any Item of Equipment, shall be an amount equal to the product of (A) a fraction, the numerator of which is an amount equal to the Purchase Price (as defined in the Note Purchase Agreement) of such Item of Equipment for which settlement is then being made and the denominator of which is the aggregate Purchase Price of all Items of Equipment then subject to the Management Agreement (including the Purchase Price of such Item of Equipment for which settlement is then being made), times (B) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in this

Section 4.2 (after giving effect to all payments of installments of principal made or to be made on the date of prepayment provided for in this Section 4.2).

4.3 Application of Casualty Insurance Proceeds. So long as to the knowledge of the Secured Party no Event of Default hereunder shall have occurred and be continuing and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such an Event of Default, the amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by NRUC or the Debtor in respect of the Equipment shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) The proceeds of such insurance shall, if the Equipment is to be repaired, be released to the Debtor to reimburse NRUC for expenditures made for such repair upon receipt by the Secured Party of a certificate signed by the President, any Vice President or the Treasurer of NRUC setting forth the repairs effected, the cost of repairing, restoring or replacing the Item of Equipment and stating that the restoration, replacement or repair parts have become immediately subject to all of the terms and conditions of the Management Agreement and that all public filings, recordings and registrations necessary or expedient to vest title thereto in the Debtor have been accomplished (which certificate shall be accompanied by satisfactory evidence of such cost and of the completion of such repair, restoration or replacement).

(b) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (a) within 180 days from the receipt thereof by the Secured Party, or if within such period NRUC shall have notified the Secured Party in writing that the Management Agreement in respect to any Item of Equipment is to be terminated in accordance with the provisions of Section 14 thereof, then the insurance proceeds shall be applied by the Secured Party as follows:

(i) First, to the prepayment of the Notes all in the manner and to the extent provided for by Section 4.2 hereof; and

(ii) Second, the balance, if any, of such insurance proceeds held by the Secured Party after making the applications provided for by the preceding subparagraph (i) shall be released promptly to or upon the order of the Debtor.

4.4 Multiple Notes. If more than one Note is outstanding at the time any such application is to be made as provided in Section 4.2 or 4.3, above, such application shall be made on all outstanding Notes ratably in accordance with the aggregate principal amount remaining unpaid thereon.

4.5 Default. If an Event of Default shall have occurred and be continuing, all amounts received by the Secured Party pursuant to Sections 1.2 or this Section 4 shall be applied in the manner provided for in Section 5 hereof in respect of proceeds and avails of the Collateral.

Section 5. DEFAULTS AND OTHER PROVISIONS.

5.1 Events of Default. The term Event of Default shall mean one or more of the following:

(a) Default in payment of any installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days; or

(b) An Event of Default, as defined and set forth in Section 12 of the Management Agreement; provided, however that if such Event of Default shall result from any action or inaction on the part of NRUC or occur with respect thereto, it shall not constitute an Event of Default if within 30 days of the occurrence thereof the Debtor has entered into an alternative management arrangement acceptable to the Secured Party; or

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or the Note Purchase Agreement, and such default shall continue unremedied for 30 days after written notice from the Secured Party to the Debtor specifying the default and demanding the same to be remedied; or

(d) Any representation or warranty on the part of the Debtor made herein or in the Note Purchase Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement, the Management Agreement or the Note Purchase Agreement or the transactions contemplated herein or therein, shall prove to be false or misleading in any material respect when made; or

(e) Any claim, lien or charge (other than those permitted under Section 1.4 hereinabove or created pursuant to Section 6 hereinafter) shall be asserted against or levied or imposed upon the Equipment or any Item of the Equipment, and such claim, lien or charge shall not be discharged or removed within thirty calendar days after written notice from the Secured Party or the holder of any Note to the Debtor demanding the discharge or removal thereof; or

(f) Failure on the part of the Debtor to give notice to the Secured Party, within ten days of the occurrence thereof, of any Event of Default or of the occurrence of any event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default.

5.2 Secured Party's Rights. The Debtor agrees that when any Event of Default shall have occurred and be continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the Commonwealth of Pennsylvania (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted), and:

(a) The Secured Party may, by notice in writing to the Debtor, declare the entire unpaid principal balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) The Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any premises, with

or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the Collateral, or, to the extent permitted by law, use and operate or lease the Collateral until sold;

(c) The Secured Party may, if at the time such action may be lawful (subject to compliance with any mandatory legal requirements), either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale should be held in a commercially reasonable manner. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party or the holder or holders of the Notes, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(e) The Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor under the Management Agreement and the Maintenance Agreement and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

5.3 Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes, including principal and interest thereof, out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

5.4 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained or to a decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person all benefit and advantage of any such law or laws and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

5.5 Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

5.6 Application of Sale Proceeds. The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes, and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder or holders of the Notes of the amount then due, owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first to unpaid interest thereon, second, to unpaid premium, if any, and third, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.7 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in every such case, the Debtor, the Secured Party and the holder or holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.8 Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such

default. No waiver by the Secured Party, or the holder of any Note, of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

Section 6. TRANSFER OF DEBTOR'S INTEREST.

The Debtor agrees that it will not sell or otherwise transfer its interest in the Equipment or the Management Agreement, or any part thereof, without the prior written consent of the Secured Party.

Section 7. MISCELLANEOUS.

7.1 Execution of the Notes. The Notes shall be signed on behalf of the Debtor by its Managing General Partner who, at the date of the actual execution thereof, shall be duly authorized to execute the same.

7.2 Payment of the Notes.

(a) The principal of, and premium, if any, and interest on the Notes shall be payable by wire transfer of immediately available funds or as the Secured Party shall otherwise designate, and in the case of all other holders of the Notes, to such bank or trust company in the continental United States for the account of such a holder as the holder shall designate to the Debtor from time to time in writing, and if no such designation is in effect, by check, duly mailed, first class, certified, postage prepaid, or delivered to such holder at the address last furnished to the Debtor. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid.

(b) All amounts constituting payment of installments of revenues under the Management Agreement or payment for a Casualty Occurrence received by the Secured Party and applied on the Notes pursuant to Section 4 hereof shall be valid and effectual to satisfy and discharge the liability upon such Notes to the extent of the amounts so received and applied.

7.3 Transfers and Exchanges of Notes; Lost or Mutilated Notes.

(a) The holder of any Note may transfer such Note upon the surrender thereof at the principal office of the Debtor and the Debtor shall execute in the name of the transferee a new Note or Notes, in such denominations as may be requested by the holder, in aggregate principal amount equal to the unpaid principal amount of the Note so surrendered, and deliver such new Note or Notes to said holder for delivery to such transferee.

(b) The holder of any Note or Notes may surrender such Note or Notes at the principal office of the Debtor, accompanied by a written request for a new Note or Notes in the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered. Thereupon, the Debtor shall execute in the name of such holder a new Note or Notes in the denomination or denominations so requested and in aggregate principal amount equal to the aggregate unpaid principal amount of the Note or Notes so surrendered and deliver such new Note or Notes to such holder.

(c) All Notes presented or surrendered for exchange or transfer shall be accompanied (if so required by the Debtor) by a written instrument or instruments of assignment or transfer in form reasonably satisfactory to the Debtor, duly executed by the registered holder or by its attorney duly authorized in writing. The Debtor shall not be required to make a transfer or an exchange of any Note for a period of ten days preceding any installment payment date with respect thereto.

(d) No notarial act shall be necessary for the transfer or exchange of any Note pursuant to this Section 7.3, and the holder of any Note issued as provided in this Section 7.3 shall be entitled to any and all rights and privileges granted under this Security Agreement to a holder of a Note.

(e) In case any Note shall become mutilated or be destroyed, lost or stolen, the Debtor, upon the written request of the holder thereof, shall execute and deliver a new Note in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. The applicant for a substituted Note shall furnish to the Debtor such security or indemnity as may be required by the Debtor to save it harmless from all risks in connection therewith, and the applicant shall also furnish to the Debtor evidence to its satisfaction of the mutilation, destruction, loss or theft of the applicant's Note and of the ownership thereof. In case any Note which has matured or is about to mature shall become mutiliated or be destroyed, lost or stolen, the Debtor may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note), if the applicant for such payment shall furnish to the Debtor such security or indemnity as the Debtor may require to save it harmless, and shall furnish evidence to the satisfaction of the Debtor of the mutilation, destruction, loss or theft of such Note and the ownership thereof. If the Secured Party, or its nominee, is the owner of any such lost, stolen or destroyed Note, then the affidavit of the president, vice president, treasurer or assistant treasurer of such Note Purchaser setting forth the fact of loss, theft or destruction and of its ownership of the Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no indemnity shall be required as a condition to execution and delivery of a new Note other than the written agreement of such Note Purchaser to indemnify the Debtor for any claims or action against it (and for its attorneys' fees) resulting from the issuance of such new Note or the reappearance of the old Note.

7.4 The New Notes.

(a) Each new Note issued pursuant to Section 7.3 (a), (b) or (e) in exchange for or in substitution or in lieu of an outstanding Note shall be dated the date of such outstanding Note. The Debtor shall mark on each new Note (i) the dates to which principal and interest have been paid on such outstanding Note, (ii) all payments and prepayments of principal previously made on such outstanding Note which are allocable to such new Note, and (iii) the amount of each installment payment payable on such new Note. Each installment of principal payable on such new Note on any date shall

bear the same proportion to the installment of principal payable on such outstanding Note on such date as the original principal amount of such new Note bears to the aggregate unpaid principal amount of such outstanding Note on the date of the issuance of such New Note. Interest shall be deemed to have been paid on such new Note to the date on which interest shall have been paid on such outstanding Note, and all payments and prepayments of principal marked on such new Note, as provided in clause (ii) above, shall be deemed to have been made thereon.

(b) Upon the issuance of a new Note pursuant to Section 7.3(a), (b) or (e), the Debtor may require the payment of a sum to reimburse it for, or to provide it with funds for, the payment of any tax or other governmental charge or any other charges and expenses connected therewith which are paid or payable by the Debtor.

(c) All new Notes issued pursuant to Section 7.3(a), (b) or (e) in exchange for or in substitution or in lieu of outstanding Notes shall be valid obligations of the Debtor evidencing the same debt as outstanding Notes and shall be entitled to the benefits and security of this Security Agreement to the same extent as the outstanding Notes.

(d) Upon the issuance of any new Note pursuant to this Security Agreement, the Debtor shall prepare and deliver an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of issuance thereof and the unpaid principal balance of such Note after each such installment payment, and upon the preparation of such schedule, the Debtor shall furnish a copy thereof to the Secured Party. The Secured Party shall deliver, or send by first-class mail, certified, postage prepaid, one copy of the applicable schedule to the holder of such Note.

7.5 Cancellation of Notes. All Notes surrendered for the purpose of payment, redemption, transfer or exchange shall be delivered to the Debtor for cancellation or, if surrendered to the Debtor, shall be cancelled by it, and no Notes shall be issued in lieu thereof except as expressly required or permitted by any of the provisions of this Security Agreement.

7.6 Business Days. As used herein, the term "business days" means calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in the State of New York are authorized or obligated to remain closed.

7.7 Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.8 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

7.9 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mails, certified first class, postage prepaid, addressed as follows:

If to the Debtor: Railroad Boxcar Associates
c/o Saul D. Kronovet, Esq.
425 Park Avenue
New York, NY 10022

If to the
Secured Party: U.S. Steel Credit Corporation
Room 5688
600 Grant Street
Pittsburgh, PA 15219
Attn: Joseph L. Brady,
Assistant Treasurer

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

7.10 Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness hereby secured has been fully paid or discharged.

7.11 Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof, as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

7.12 Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

7.13 Table of Contents and Headings. The Table of Contents hereto and any headings or captions preceeding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

7.14 Limitation of Liability. It is understood and agreed by the Secured Party that, except for the obligations of the Debtor in Section 2.2 hereof, the liability of the Debtor or any assignee of the Debtor for all payments to be made by it under and pursuant to this Security Agreement, the Notes and the Note Purchase Agreement, shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment". As used herein and in each of the Notes the term "income and proceeds from the Equipment" shall mean: (i) if one of the Events of Default specified in Section 5.1 hereof shall have occurred and while it shall be continuing, so much of the following amounts as are indefeasibly received by the Debtor or any assignee of the Debtor at any time after any such event and during the continuance thereof (a) all amounts of operating revenues and amounts in respect of any Casualty Occurrence paid for or with respect to the Equipment or pursuant to the Management Agreement and any and all other payments received under Section 13 or any other provision of the Management

Agreement and (b) any and all payments or proceeds received for or with respect to the Equipment as the result of the sale, lease or other disposition thereof, after deducting all costs and expenses of such sale, lease or other disposition; and (ii) at any other time only that portion of the amounts referred to in the foregoing clauses (a) and (b) as are indefeasibly received by the Debtor or any assignee of the Debtor and as shall equal the portion of the principal of the Notes (including prepayments thereof required in respect of any Casualty Occurrence) and/or interest thereon due and payable under the terms of the Notes and this Security Agreement or as shall equal any other payments then due and payable under this Security Agreement; it being understood that "income and proceeds from the Equipment" shall in no event include amounts referred to in the foregoing clauses (a) and (b) received by the Debtor or any assignee of the Debtor prior to the existence of an Event of Default which exceeded the amounts required to discharge that portion of the principal of the Notes (including prepayments thereof required in respect of any Casualty Occurrence) and/or interest thereon and any other payments due and payable on the date on which amounts with respect thereto received by the Debtor or any assignee of the Debtor were required to be paid to it pursuant to the terms of the Notes and this Security Agreement. The Secured Party further agrees that in the event it shall obtain a judgment against the Debtor for an amount in excess of the amounts payable by the Debtor pursuant to the limitations set forth in this paragraph, it will limit its execution of such judgment to amounts payable pursuant to the limitations set forth in this paragraph and in no event shall such judgment constitute a personal liability of any partner of the Debtor. Nothing contained herein limiting the liability of the Debtor shall derogate from the right of the Secured Party to proceed against the Collateral for the full unpaid principal amount of the Notes and interest thereon and all other payments and obligations hereunder and thereunder.

IN WITNESS WHEREOF, the Debtor and the Secured Party have executed this Security Agreement as of the day and year first above written.

WITNESS:

RAILROAD BOXCAR ASSOCIATES

By _____ (SEAL)
General Partner

ATTEST:

U.S. STEEL CREDIT CORPORATION

_____
Asst. Secretary

By _____
Vice President

(CORPORATE SEAL)

STATE OF ~~NEW YORK~~ Pennsylvania :
: SS
COUNTY OF Allegheny :

On this 11th day of December, 1978, before me personally appeared LILYAN R. WAXMAN, to me personally known, who being by me duly sworn, says that she is the Managing General Partner of RAILROAD BOXCAR ASSOCIATES, that said instrument was signed and sealed on behalf of said partnership by authority of its Partnership Agreement; and she acknowledged that the execution of the foregoing instrument was the free act and deed of said partnership.

Margaret A. Lerario
Notary Public

(SEAL)

My Commission expires:

MARGARET A. LERARIO, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES MAY 27, 1980
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF ALLEGHENY :

On this 7th day of December, 1978, before me personally appeared R. D. Ryan, to me personally known, who being by me duly sworn, says that he is Vice President of U.S. STEEL CREDIT CORPORATION, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Karen S. Kraeuter
Notary Public

(SEAL)

My Commission expires:

KAREN S. KRAEUTER, Notary Public
PITTSBURGH, ALLEGHENY COUNTY, PA.
MY COMMISSION EXPIRES
MARCH 2, 1981

SCHEDULE I
AMORTIZATION SCHEDULE

DOLLARS PER HUNDRED THOUSANDS DOLLARS OF ORIGINAL PRINCIPAL AMOUNT OF NOTE

PERIOD	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST PAYMENT	OUTSTANDING PRINCIPAL BALANCE
1	$4303.60	$1053.60	$3250.00	$98946.40
2	4303.60	1087.84	3215.76	97858.56
3	4303.60	1123.20	3180.40	96735.36
4	4303.60	1159.70	3143.90	95575.66
5	4303.60	1197.39	3106.21	94378.27
6	4303.60	1236.31	3067.29	93141.96
7	4303.60	1276.49	3027.11	91865.47
8	4303.60	1317.97	2985.63	90547.50
9	4303.60	1360.81	2942.79	89186.69
10	4303.60	1405.03	2898.57	87781.66
11	4303.60	1450.70	2852.90	86330.96
12	4303.60	1497.84	2805.76	84833.12
13	4303.60	1546.52	2757.08	83286.60
14	4303.60	1596.79	2706.81	81689.81
15	4303.60	1648.68	2654.92	80041.13
16	4303.60	1702.26	2601.34	78338.87
17	4303.60	1757.59	2546.01	76581.28
18	4303.60	1814.71	2488.89	74766.57
19	4303.60	1873.69	2429.91	72892.88
20	4303.60	1934.58	2369.02	70958.30
21	4303.60	1997.46	2306.14	68960.84
22	4303.60	2062.37	2241.23	66898.47
23	4303.60	2129.40	2174.20	64769.07
24	4303.60	2198.61	2104.99	62570.46
25	4303.60	2270.06	2033.54	60300.40
26	4303.60	2343.84	1959.76	57956.56
27	4303.60	2420.01	1883.59	55536.55
28	4303.60	2498.66	1804.94	53037.89
29	4303.60	2579.87	1723.73	50458.02
30	4303.60	2663.71	1639.89	47794.31
31	4303.60	2750.28	1553.32	45044.03
32	4303.60	2839.67	1463.93	42204.36
33	4303.60	2931.96	1371.64	39272.40
34	4303.60	3027.25	1276.35	36245.15
35	4303.60	3125.63	1177.97	33119.52
36	4303.60	3227.22	1076.38	29892.30
37	4303.60	3332.10	971.50	26560.20
38	4303.60	3440.39	863.21	23119.81
39	4303.60	3552.21	751.39	19567.60
40	4303.60	3667.65	635.95	15899.95
41	4303.60	3786.85	516.75	12113.10
42	4303.60	3909.92	393.68	8203.18
43	4303.60	4037.00	266.60	4166.18
44	**4301.58**	**4166.18**	135.40	**0.00**
TOTAL	$189356.38	$100000.00	$89356.38	$ 0.00

SCHEDULE II

DESCRIPTION OF EQUIPMENT

Type	Builders Specifications	Quantity	Equipment Numbers (Inclusive)
AAR Mechanical Designation XM	50'6", 70-ton single sheaved boxcars without side posts, 10'0" sliding doors, rigid underframe	175	NSL 155250-NSL 155369 (plus 55 additional cars to be designated)

EXHIBIT A

(to the Security Agreement)

NOTICE

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY STATE. THE NOTE MAY NOT BE OFFERED OR SOLD UNLESS IT IS REGISTERED UNDER THE APPLICABLE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SECURED NOTE

No. ____ _____, 197_

$_____ Pittsburgh, Pennsylvania

FOR VALUE RECEIVED, the undersigned, Railroad Boxcar Associates (the Debtor) promises to pay to the order of U. S. Steel Credit Corporation at Post Office Box 7591, Church Street Station, New York, New York 10249, or to such other person and/or such other place as the holder hereof may from time to time designate, the principal sum of

_____
DOLLARS ($_____) together with interest from the date hereof until maturity (computed on the basis of a 360-day year of twelve consecutive 30-day months) on the unpaid principal hereof, at a rate per annum (hereinafter called the Accrual Rate) equal to the Prime Rate (hereinafter defined) in effect on each Installment Payment Date (hereinafter defined) plus three and one-half percent (3-1/2%), such interest rate to change automatically from time to time effective as of the beginning of each Installment Period (hereinafter defined) in which the Prime Rate in effect on the Installment Payment Date at the end of such Installment Period is different from the Prime Rate in effect on the immediately preceding Installment Payment Date, provided that, after January 1, 1980 and thereafter to maturity, payments of interest hereunder shall be made as if the interest rate hereunder were fixed at thirteen percent (13%) per annum. The principal and interest hereof shall be payable in installments as follows:

(1) an installment of interest only (at the Accrual Rate) payable on April 20, 1979, for the period from the date hereof to and including April 20, 1979; followed by

(2) an installment of interest only (at the Accrual Rate) payable on July 20, 1979, for the period beginning April 21, 1979 and ending July 20, 1979; followed by

(3) an installment of interest only (at the Accrual Rate) payable on October 20, 1979, for the period beginning July 21, 1979 and ending October 20, 1979; followed by

(4) forty-three (43) quarterly installments of principal and interest, each in the amount of $_____ payable on January 20, 1980 and on each April 20, July 20, October 20 and January 20 thereafter to and including July 20, 1990; followed by

(5) a final installment on October 20, 1990 in the amount equal to the entire principal and accrued interest (at the Accrual Rate) hereof which shall remain unpaid as of said date.

As used in this Note, the following terms have the meanings defined for them as follows:

(a) "Prime Rate" means, as of any given date, the higher of (i) the prime interest rate per annum for new 90-day loans to commercial borrowers of substantial size and high credit standing as in effect on that date for such loans made by Morgan Guaranty Trust Company of New York at its principal office in New York, New York, or (ii) the prime interest rate per annum for new 90-day loans to commercial borrowers of substantial size and high credit standing as in effect on that date for such loans made by Citibank, N.A., at its principal office in New York, New York.

(b) "Installment Payment Date" means April 20, 1979 and each date thereafter on which any installment of interest hereon or of principal hereof, or both interest hereon and principal hereof, is to be payable as above provided.

(c) "Installment Period" means the period beginning on the date hereof and ending on the next Installment Payment Date, and each period thereafter beginning on the day immediately following an Installment Payment Date and ending on the next succeeding Installment Payment Date.

On the first date (hereinafter called the Debtor's Interest Settlement Date) on which all of the principal hereof and all of the interest theretofore payable hereunder shall have become due and payable (whether by virtue of the maturity of this Note or the earlier prepayment or acceleration hereof or otherwise), the Debtor shall pay to the holder hereof the excess (if any) of (i) the total amount of interest computed at the Accrual Rate, accrued hereon from the date hereof until the Debtor's Interest Settlement Date over (ii) the total amount of interest due and payable hereon as above provided prior to the Debtor's Interest Settlement Date. On the first date (hereinafter called the Creditor's Interest Settlement Date) on which all of the principal hereof and all of the interest theretofore payable hereunder shall have been paid in full (whether by virtue of the maturity of this Note or the earlier prepayment or acceleration hereof or otherwise), the holder hereof shall repay to the Debtor the excess (if any) of (A) the total amount of interest paid hereon as above provided prior to the Creditor's Interest Settlement Date over (B) the total amount of interest computed at the Accrual Rate, accrued hereon from the date hereof until the Creditor's Interest Settlement Date. The amount (if any) so payable by the Debtor to the holder hereof on the Debtor's Interest Settlement Date, shall not bear interest for any period prior to the Debtor's Interest Settlement Date but any or all thereof remaining unpaid after the Debtor's Interest Settlement Date shall bear interest at the rate of eighteen percent (18%) per annum from and after the Debtor's Interest Settlement Date until paid. The amount (if any) so payable by the holder hereof to the Debtor on the Creditor's Interest Settlement Date shall not bear interest for any period prior to the Creditor's Interest Settlement Date but any or all thereof remaining unpaid after the Creditor's Interest Settlement Date shall bear interest at the rate of eighteen percent (18%) per annum from and after the Creditor's Interest Settlement Date until paid.

The Debtor shall pay to the holder hereof interest on overdue principal hereof and on overdue interest hereon at the rate of eighteen percent (18%) per annum after maturity, whether by acceleration or otherwise, but not in excess of the highest rate permitted by law. Both the principal hereof and interest hereon are payable to the holder hereof in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes of the Debtor not exceeding $5,092,850 in aggregate principal amount (the Notes) issued under and pursuant to the Note Purchase Agreement dated as of December 11, 1978 (the Note Purchase Agreement) between U.S. Steel Credit Corporation (the Note Purchaser or Secured Party) and the Debtor and also issued under and equally and ratably with said other Notes secured by that certain Security Agreement dated as of December 11, 1978 (the Security Agreement) from the Debtor to the Secured Party. Reference is made to the Security Agreement and all supplements and amendments thereto executed pursuant to the Security Agreement for a description of the collateral, the nature and extent of the security and rights of the Secured Party, the holder or holders of the Notes and of the Debtor in respect thereof.

Certain prepayments are required to be made by the Debtor pursuant to the terms of the Security Agreement and the Note Purchase Agreement. The Debtor agrees to make any such prepayments in accordance with the provisions of such agreements and shall not otherwise be entitled to prepay any part of the principal or interest due hereunder.

The terms and provisions of the Security Agreement and the rights and obligations of the Secured Party and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note and the Security Agreement are governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania; provided, however, that the holder of this Note shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

It is understood and agreed that the liability of the Debtor or any assignee of the Debtor for all payments to be made by it under and pursuant to this Note shall not exceed an amount equal to, and shall be payable only out of, the "income and proceeds from the Equipment" as defined in Section 7.14 of the Security Agreement.

IN WITNESS WHEREOF, the Debtor has caused this Note to be duly executed.

WITNESS:

RAILROAD BOXCAR ASSOCIATES

_____

By_____
General Partner